

Message Text

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ACTION AF-04

INFO OCT-01 SS-14 ISO-00 EB-03 L-01 NSC-05 NSCE-00 INR-05

CIAE-00 SP-02 TRSE-00 OMB-01 IO-03 EUR-08 /047 W

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R 081146Z OCT 75

FM AMEMBASSY LUSAKA

TO SECSTATE WASHDC 2252

INFO AMEMBASSY DAR ES SALAAM

AMEMBASSY KINSHASA

AMEMBASSY LONDON

AMEMBASSY PRETORIA

USMISSION USUN NY

S E C R E T SECTION 1 OF 2 LUSAKA 1969

LIMDIS

FOR ASSISTANT SECRETARIES DAVIS AND ENDERS

EO 11652: XGDS-1

TAGS: PFOR ZA US EGEN

SUBJECT: US-ZAMBIAN BILATERAL RELATIONS

REF: LUSAKA 1906

1. SUMMARY: DURING TALK WITH SPECIAL ASSISTANT TO
PRESIDENT CHONA OCT 3 HE EXPRESSED CONCERN ABOUT IRRITANTS
IN OUR BILATERAL RELATIONS, SPECIFICALLY MENTIONING EXIM'S
INSISTENCE ON CERTAIN CONDITIONS WHICH GRZ FOUND OBJECTIONABLE.
SAID BLUNTLY USG SHOULD BE CONSIDERING OUTRIGHT GRANT OF \$50
MILLION TO HELP ZAMBIA WITH ITS BALANCE OF PAYMENTS DIFFICULTIES
RATHER THAN EXACTING HARD CONDITIONS ON US LOANS TO ZAMBIA.
HE ALSO URGED USG TO HELP SUSTAIN MOBUTU GOVT IN
ZAIRE AS ESSENTIAL TO STABILITY OF REGION. IN VIEW
OF ZAMBIA'S STEADILY WORSENING ECONOMIC SITUATION,
REQUEST DEPT'S GUIDANCE ON (A) WHAT LINE EMBASSY SHOULD
TAKE IF QUESTION OF BALANCE OF PAYMENTS ASSISTANCE TO
ZAMBIA IS PURSUED WITH EMBASSY BY GRZ, AND (B) WHAT

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EMBASSY MIGHT USEFULLY SAY IN RESPONDING TO CHONA ON

CURRENT US POLITICAL-ECONOMIC RELATIONS WITH GOVT OF
ZAIRE. END SUMMARY.

2. EXIM. AS SPECIAL ASSISTANT TO THE PRESIDENT CHONA
WAS WALKING ME OUT OF STATE HOUSE AFTER AN HOUR-LONG
CONVERSATION OCT 3 ON OTHER SUBJECTS, HE EXPRESSED
CONCERN ABOUT IRRITANTS IN OUR BILATERAL RELATIONS,
SPECIFICALLY MENTIONING EXIM'S INSISTENCE ON CERTAIN
CONDITIONS WHICH GRZ FOUND OBJECTIONABLE. HE IMPLIED HE

REFLECTING PRESIDENT KAUNDA'S THOUGHTS. SAID US SEEMED
UNCONCERNED ABOUT ZAMBIA'S EXTREME ECONOMIC SACRIFICES IN
CAUSE OF POLITICAL FREEDOM AND JUSTICE IN SOUTHERN AFRICA
(REFERENCE TO ZAMBIA'S BLOCKED SOUTHERN AND WESTERN ROUTES
FOR COPPER EXPORTS AND FOOD AND EQUIPMENT IMPORTS).

3. I BRIEFLY EXPLAINED DHGB LENDING PRACTICES AND
PROMISED TO FOLLOW UP WITH DETAILED REPORT ON STATUS OF
LOAN APPLICATION FOR MINING COMPANIES. THIS DONE BY LETTER
OF OCT 6 (COPY POUCHED AF/E) WHICH QUESTIONS WHY ZAMBIA,
AFTER ASSUMING EFFECTIVE CONTROL OF MINING COMPANIES, IS
UNWILLING TO GIVE ITS GUARANTEE ON PART OF NEEDED
CREDITS TOTALING \$41.7 MILLION (OF WHICH EXIM'S SHARE
IS \$15 MILLION). I TOLD CHONA AND REPEATED IT IN LETTER
THAT USG NOT SINGLING OUT ZAMBIA FOR ANY STRICTER TREATMENT
THAN OTHER COUNTRIES, NOR IS THERE DOUBT ABOUT ZAMBIA'S
CREDIT WORTHINESS. I TOLD CHONA IT WAS REGRETTABLE THAT
PERSONAL FEELINGS HAD BEEN AROUSED OVER EXIM BANK
PRACTICES. CHONA SAID HE AWARE OF MY CONVERSATION WITH
GOVERNOR KUWANI (LUSAKA 1906; STATE 235916). TOLD CHONA
QUITE FRANKLY US WILLING TO DO MUCH MORE THROUGH PRIVATE
TRADE AND INVESTMENT IN ZAMBIA BUT CLIMATE OF UNCERTAINTY
FOLLOWING JUNE 30 WATERSHED SPEECH WAS SOMEWHAT INHIBITING.
I URGED MORE REALISM AND UNDERSTANDING OF ESTABLISHED
INTERNATIONAL BUSINESS PRACTICES, ADDING THAT ZAMBIA WOULD
FIND USG CONCERNED AND COOPERATIVE.

4. REQUEST FOR AID. CHONA THEN DELIVERED A SHOCKER,
BLUNTLY SAYING US SHOULD BE CONSIDERING OUTRIGHT GRANT
OF \$50 MILLION TO HELP ZAMBIA WITH ITS BALANCE OF PAYMENTS
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DIFFICULTIES RATHER THAN EXACTING HARD CONDITIONS ON US
LOANS TO ZAMBIA.

5. I SAID I HAD SOUGHT AND BEEN GRANTED MEETING OCT 2
WITH PERM SECY OF MINISTRY OF PLANNING AND FINANCE TO
EXPRESS MY PERSONAL CONCERN ABOUT ZAMBIA'S DETERIORATING
BALANCE OF PAYMENTS SITUATION AND TO ECHO POINTS FROM SECY
KISSINGER'S UNGA SPEECH OF SEPT 22, INDICATING USG

WILLINGNESS TO BE SYMPATHETIC TO COUNTRIES' FINANCIAL NEEDS BROUGHT ON BY FLUCTUATING EXPORT PRICES AND ARBITRARY OIL PRICE INCREASES. CHONA MOST APPRECIATIVE FOR THIS SHOW OF INTEREST AND REITERATED QUESTION OF POSSIBLE \$50 MILLION US GRANT TO TIDE ZAMBIA OVER DIFFICULTIES BROUGHT ON BY LOW COPPER PRICES AND BORDER CLOSURE. I WAS NON-COMMITTAL, SUGGESTING SUCH REQUEST NORMALLY DOCUMENTED FOR FORMAL CONSIDERATION.

6. ZAIRE: CHONA IN ABRUPT CHANGE OF TACK, SAID USG SHOULD HELP SUSTAIN GOVERNMENT OF PRESIDENT MOBUTU IN ZAIRE AS HE ESSENTIAL TO STABILITY OF REGION AND EXERTS POSITIVE INFLUENCE ON ANGOLA. I SAID WE HAD NO QUARREL WITH MOBUTU, HAD RESOLVED OUR RECENT DIFFERENCES OVER ALLEGED INVOLVEMENT IN COUP PLOT, WERE INDEED VERY INTERESTED IN COUNTRY'S ECONOMIC WELFARE, AND HAD SUBSTANTIAL TRADE, INVESTMENT AND AID INTERESTS IN ZAIRE.

7. ECONOMIC SITUATION: SEPTTEL SUMMARIES LATEST IF STILL INCOMPLETE INFORMATION WE HAVE ON DIFFICULT ZAMBIAN ECONOMIC AND FINANCIAL SITUATION BASED ON MINING COMPANIES' BRIEF TO GRZ EMPHASIZING SERIOUSNESS OF PROBLEM. SUGGEST AF MAY WISH DISCUSS ZAMBIAN ECONOMIC SITUATION WITH AMAX OFFICIALS WALCOTT AND CROWL, WHO WERE IN LUSAKA FOR RCM BOARD MEETING SEPT 23. BOTH COPPER COMPANY OFFICIALS DESCRIBED DETERIORATION OF ZAMBIAN ECONOMY IN TERMS OF CAR GOING OFF CLIFF. MEANWHILE, IMF MISSION IS IN LUSAKA THIS WEEK FOR ECONOMIC REVIEW IN CONNECTION WITH GRZ APPLICATION FOR B/P ASSISTANCE FROM IMF OIL FACILITY. WE HOPE IMF REVIEW WILL ALSO BE ABLE UNDERLINE GRAVITY OF SITUATION HERE AND ELICIT HARD-TO-GET FINANCIAL DATA ON ZAMBIAN ECONOMY. WHATEVER DATA IMF MISSION OBTAINS WILL PERHAPS BE MORE IMMEDIATELY ACCESSIBLE IN WASHINGTON THAN HERE. WE SUGGEST DEPT TOUCH BASE WITH BOTH IMF AND IBRD FOR THEIR RESPECTIVE READINGS ON ZAMBIAN ECONOMIC SITUATION HERE AND ANY PLANS THEY MAY HAVE TO ASSIST.

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ACTION AF-04

INFO OCT-01 SS-14 ISO-00 EB-03 L-01 NSC-05 NSCE-00 INR-05

CIAE-00 SP-02 TRSE-00 OMB-01 IO-03 EUR-08 /047 W

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R 081146Z OCT 75

FM AMEMBASSY LUSAKA

TO SECSTATE WASHDC 220

INFO AMEMBASSY DAR ES SALAAM

AMEMBASSY KINSHASA

AMEMBASSY LONDON

AMEMBASSY PRETORIA

USMISSION USUN NY

S E C R E T SECTION 2 OF 2 LUSAKA 1969

LIMDIS

FOR ASSISTANT SECRETARIES DAVIS AND ENDERS

8. POLITICAL COMMENT: SUBSTANTIAL RELIEF FROM ZAMBIA'S ECONOMIC SITUATION COULD UNQUESTIONABLY COME FROM REOPENING RHODESIAN BORDER. SMITH HAS SAID SOME TIME AGO HE HAS NO OBJECTIONS, BUT WE KNOW KAUNDA HAS STRENUOUS OBJECTIONS ON PRINCIPLE TO WHICH HE IS DEEPLY AND PERSONALLY COMMITTED. EVEN WERE KAUNDA TO RECAVE FOR REASONS OF ECONOMIC EXPEDIENCY, WHICH SEEMS UNLIKELY AT THIS READING, HE WOULD STAND TO LOSE IN TERMS OF DOMESTIC POLITICAL PRESTIGE. ALSO HE WOULD SUBJECT HIMSELF TO OAU CRITICISM, AS IT WOULD BE ARGUED THAT ONE BLACK PRESIDENT HAD CONCEDED TO SMITH AND GIVEN UP A VALUABLE BARGAINING COUNTER IN ANY NEGOTIATED SETTLEMENT. THOSE WHO FAVOR ESCALATED WARFARE WOULD FEEL KAUNDA COULD NOT GIVE THIS COURSE UNCONDITIONAL SUPPORT WHILE AT SAME TIME LETTING ZAMBIA'S EXPORTS BECOME ONCE AGAIN SUBJECT TO SMITH'S CONTROL AND CAPRICIOUS ACTION. EVEN IF KAUNDA WERE TO LET BORDER OPEN QUIETLY AND WITHOUT PUBLICITY (AS INDEED IT IS FOR ZAIRE'S IMPORTS AND SOME OF ITS COPPER EXPORTS) THE NEWS WOULD GET OUT. THIS COULD BE DAMAGING POLITICALLY TO KAUNDA BOTH DOMESTICALLY AND INTERNATIONALLY.

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9. UNDER THE CIRCUMSTANCES KAUNDA SEEMS TO HAVE NO CHOICE LEFT BUT TO SEEK SUBSTANTIAL FOREIGN CREDITS RUNNING IN NEIGHBORHOOD OF \$40 MILLION MONTHLY, OR \$480 MILLION ANNUALLY, WHICH IS VERY ROUGH ESTIMATE OF COMBINED EFFECT OF LOW COPPER PRICES AND BLOCKED EXPORTS AND FIGURE WHICH AMAX OFFICIALS WALCOTT AND CROWL USED WHILE HERE. AS RESULT, TRADE BALANCE WHICH WAS \$600 MILLION IN 1974 LIKELY TO BE NEGATIVE IN 1975.

10. ACTION REQUESTED: GIVEN THE WORSENING OF ZAMBIA'S BALANCE OF PAYMENTS SITUATION, CHONA'S INFORMAL REQUEST FOR HELP MAY VERY WELL BE TRANSLATED INTO MORE FORMAL REQUEST TO US FOR BALANCE OF PAYMENTS ASSISTANCE, PERHAPS IN CONJUNCTION WITH OTHER DONORS, AS WAS DONE AFTER THE CLOSING OF THE RHODESIAN BORDER IN 1973. IN ANTICIPATION SUCH EVENT, IT WOULD BE HELPFUL HAVE DEPT'S GUIDANCE ON WHAT LINE EMBASSY SHOULD TAKE IF SUCH REQKAST RAISED AGAIN EITHER FORMALLY OR INFORMALLY.

11. CHONA'S PITCH ON ZAIRE REFLECTS ZAMBIAN INTEREST THAT USG REMAIN SUBSTANTIALLY INVOLVED IN REGION. IN ZAMBIAN EYES ALLEGED US AID TO ZAIRE (STATE 229489) MAY ESTABLISH WELCOME PRECEDENT ON WHICH TO BASE REQUEST THAT WE DO SOMETHING FOR ZAMBIA IN RECOGNITION OF ITS ECONOMIC SACRIFICES IN ORDER TO PROMOTE CONSTRUCTIVE SOLUTIONS TO SOUTHERN AFRICAN PROBLEMS. WE WOULD APPRECIATE DEPARTMENT'S GUIDANCE ON WHAT WE CAN SAY IN CONFIDENCE TO CHONA ABOUT CURRENT US POLITICAL AND PARTICULARLY ECONOMIC SUPPORT FOR ZAIRE.
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